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February 14, 2008

**VIA E-FILING**

Mr. Charles Terreni  
Chief Clerk Administrator  
Public Service Commission of South Carolina  
101 Executive Center Drive  
Columbia, South Carolina 29210

**Re: Docket No. 2007-4-G Piedmont Natural Gas Company's Annual Review of Purchased Gas Adjustment and Gas Purchasing Policies**

Dear Mr. Terreni:

On November 9, 2007, the Office of Regulatory Staff of South Carolina ("ORS") and Piedmont Natural Gas Company, Inc. ("Piedmont") filed a Settlement Agreement in the above-referenced docket. In the Settlement Agreement, Piedmont and the ORS agreed to undertake certain additional procedures to examine remaining unresolved accounting issues related to Piedmont's commodity true-up and inventory levels in order to permit a final accounting of review period gas costs. That procedure was adopted by the Commission at the November 29, 2007 hearing of this matter. Pursuant to the agreed procedures, Piedmont has provided additional information to the ORS regarding these matters and the ORS has conducted an additional investigation and audit of such information. This process culminated in the Final Report filed by the ORS in this proceeding on February 14, 2008 ("Final Report"), which reflects adjustments to Piedmont's review period underground storage and LNG inventory balances and a final reconciliation of Account No. 253.04. Piedmont has reviewed the ORS' Final Report, as well as the adjustments and end-of-period balances reflected therein, and hereby advises the Commission that Piedmont is in agreement with the ORS Final Report in all respects.

In the Settlement Agreement, Piedmont also agreed to continue to work to correct deficiencies in its accounting practices and procedures and to "report back to the Commission on the results of their actions in restructuring their accounting practices and procedures on or before February 15, 2007." Piedmont hereby reports that since the November 29, 2007 hearing in this matter, Piedmont has continued to work with its outside consultants and through its internal gas cost accounting personnel on improvements to its existing gas cost accounting procedures. Specific improvements implemented since the date of the hearing in this matter include revisions to Piedmont's "banked gas" calculation, the enhancement of controls related to Piedmont's customer billing and gas management systems, automation of several worksheets embedded in Piedmont's gas cost journal entry (JE-17) calculation, and the implementation of a daily reconciliation process through which gas supplies and deliveries are reconciled on a daily basis. Piedmont's efforts to improve its gas cost accounting practices and systems are ongoing and will continue through at least the fall of this year. Notwithstanding these continuing efforts, Piedmont anticipates that it will be able to file all

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required reports with the Commission on an accurate and timely basis and that it will not experience further difficulties of the magnitude experienced in conjunction with its 2007 gas cost review proceeding.

Piedmont sincerely appreciates the flexibility and cooperation displayed by the Commission (and the ORS) in working through the various accounting issues raised in this proceeding. Based on the ORS' Final Report, Piedmont does not believe any issues remain outstanding in this proceeding but stands ready to engage in any further procedures which the Commission may deem necessary or appropriate to conclude this docket.

If you have any questions regarding this matter, you may reach me at the number shown above.

Sincerely,

s/ James H. Jeffries IV  
James H. Jeffries IV

JHJ/bao

c: Jeffrey M. Nelson  
Carey M. Flynt  
David Carpenter